

# FINANCE

## NEWSLETTER



MARCH - APRIL 2014

KENTUCKY DEPARTMENT OF EDUCATION

### Audit contract

The fiscal year 2013-14 audit contract will be reviewed by the State Committee for School District Audits at its next meeting March 12. The audit contract will be available on the Kentucky Department of Education's website after it is approved by the committee around April 1. Please remember the contract is valid for only one year for the audit of the 2013-14 fiscal year only.

Please forward any audit contract questions to Ken Smith at [ken.smith@education.ky.gov](mailto:ken.smith@education.ky.gov) or (502) 564-3846, extension 4442.

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## FINANCE

### NEWSLETTER

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### *Bond of Depository*

This is a reminder that due to the **new process** that began last fiscal year with the "Bond of Depository" all districts are required to submit their "Bond of Depository" information through the SEEK Application "Depository Bond" Web form **every** fiscal year. The Penal Sum should be calculated **every** fiscal year by **July 1**. The Division of District Support has provided a worksheet for the districts to use to help them calculate their Penal Sum. The "Bond of Depository Penal Sum Worksheet & Example" has been posted to the "Bonds" website. Districts will need to make any adjustments to their "Bond of Depository" Penal Sum and Collateral Market Value by **July 1**.

Even if nothing changed the district will need to update the

beginning and ending dates and submit the bond information to the Kentucky Department of Education (KDE) through the SEEK Application web form.

The Fiscal Year 2014-2015 Bond of Depository information is due to the KDE by **July 1**, and is required to be approved by the commissioner of education.

The districts are to maintain all official hardcopy documentation at the local board of education.

Please refer to the "Bonds" webpage "Bond of Depository" section for all forms, instructions and reports: <http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If you have any questions, please contact Gail Cox at (502) 564-3846, extension 4462 or [Gail.Cox@education.ky.gov](mailto:Gail.Cox@education.ky.gov).

### Federal Reimbursement of Health Benefits file and payment timeline

The districts' Federal Reimbursement of Health Benefits files and payments are due to KDE's Division of District Support (DDS) after the districts run their end of the month payroll. The districts will be considered late if their files and payments are not received **within 30 days after their last end of the month payroll**. At that time, the DDS staff will begin communicating with the districts' Federal Reimbursement of Health Benefits contact(s) regarding the outstanding files and payments for the previous month's premiums.

Please refer to the "Federal Reimbursement of Health Benefits" webpage for more information.

<http://education.ky.gov/districts/FinRept/Pages/Federal-Reimbursement-of-Health-Benefits.aspx>

If you have any questions concerning the Federal Reimbursement of Health Benefits, please contact Gail Cox at (502) 564-3846, extension 4462 or [Gail.Cox@education.ky.gov](mailto:Gail.Cox@education.ky.gov).



# Project code numbering change

Project codes were established nearly 20 years ago for the implementation of Munis. The codes were set up as four or five digits with the fourth digit being a number that represents the fiscal year. In order to re-use the codes every 10 years, districts would purge journal history and mass delete the project accounts. The account purge process worked for Kentucky until database normalization began with Munis v10.3.

Database normalization creates relationships between data within the database, such as an account code on a requisition and purchase order being tied to the account in Account Master. This new relationship means districts must perform additional tasks to re-use projects, including purging old requisitions, purging old purchase orders, updating employees with old accounts and other tasks. In an effort to reduce the burden on district staff, KDE is changing the numbering convention beginning with 2014-15 projects. Districts will begin using a letter in the fourth digit to identify the fiscal year with A representing 2014-15. Examples: 310A=Title I FY15, 337A=IDEA-B FY15; 120A=ESS FY15.

What does this mean to district finance staff? Districts

will not be mass deleting (purging) Fund 2 accounts as part of the process to create new fiscal year projects and accounts. Accounts can still be mass created and the process is the same using a letter to represent the fiscal year as it was to use a number. The document, Mass Create New Projects and Accounts, BGL-5, has been updated and is available on the [Munis User Guide](#) webpage. Go to the Budgets & General Ledger –Miscellaneous section to access the guide.

This does not eliminate the need to purge old data. KDE recommends retaining current year plus six prior years of data in Munis.

Districts should still develop a purge schedule for items such as, but not limited to, journal history, requisitions and purchase orders.

Refer to the document, Purging Financial Data, located in the Budgets & General Ledger-Miscellaneous section of the [Munis User Guide](#) webpage.

If you have any questions related to the new project numbering convention, please contact Sheila Miller at 502-564-2020 ext. 2259 or via e-mail at [sheila.miller@education.ky.gov](mailto:sheila.miller@education.ky.gov).

## Fidelity (Performance) Bonds

The Fidelity (Performance) Bonds for Fiscal Year 2014-2015 are due to the Kentucky Department of Education (KDE) by **July 1**, and are required to be approved by the commissioner of education. The Exposure Calculation Report for FY 2014-2015 will be posted to the website below on **March 1**.

Please refer to the “Bonds” Web page “Fidelity (Performance) Bond” section for all forms, instructions and reports: <http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If you have any questions, please contact Gail Cox at (502) 564-3846, extension 4462 or [Gail.Cox@education.ky.gov](mailto:Gail.Cox@education.ky.gov).

## NEW! More delays for Affordable Care Act

Monday, U.S. Treasury Department officials announced new rules regarding the implementation of the employer shared responsibility portion of the Affordable Care Act (ACA).

- Employers with 50- 99 full-time and full-time equivalent employees are not required to provide insurance coverage for eligible employees until Jan. 1, 2016 – a delay of an additional year.
- Employers with at least 100 full-time and full-time equivalent employees must provide coverage as of Jan. 1, 2015. However, the substantial compliance percentage decreases from 95 percent to 70 percent. This means that an employer will not face a penalty for failure to offer coverage if at least 70 percent of its full-time employees are offered coverage. In addition, clarification was made

that hours worked by bona fide unpaid volunteers for governments and other tax-exempt entities will not cause them to be considered full-time employees.

Districts should continue in their efforts to implement the ACA provisions including identifying variable hour employees and developing a system to track their days or hours worked.

In the coming weeks, the U.S. Treasury Department plans to issue a separate set of rules that will cover questions regarding the employer reporting requirements. After this information has been released, KDE will provide additional guidance.

Questions regarding ACA may be directed to Melissa Sullivan at [melissa.sullivan@education.ky.gov](mailto:melissa.sullivan@education.ky.gov) or Susan Barkley at [susan.barkley@education.ky.gov](mailto:susan.barkley@education.ky.gov).

## SEEK payment schedule

Recently KDE and the state budget office reviewed the process for transmitting SEEK payments to school districts. SEEK payments will be approved on the first business day of the month. The process of transmitting the information to the central bank and then to each district's bank takes two to three days. For example, March payments will be

approved by KDE on the first business day in March which is March 3. Districts can expect the funds in their banks on March 6.

Questions regarding SEEK payments may be directed to Chay Ritter at [chay.ritter@education.ky.gov](mailto:chay.ritter@education.ky.gov) or at (502) 564-3846 ext. 4453.



# USDE requires changes for indirect cost rates

KDE is currently working with the U.S. Department of Education (USDE) to review and approve its indirect cost rate calculation plan that school districts will use for the next five years. The process is not yet complete, however, and some required changes have already been identified.

1. Since the rates are calculated using data on a July -June fiscal year, the rates must be applied on the same basis. KDE has erroneously instructed districts to use the rates on an October - September (federal) fiscal year. USDE requires districts to correct any overcharging that may have occurred during July, August, and September of 2013 due to this error.
2. The Kentucky Board of Education must take formal action to approve the rates for the districts and will begin doing so with the FY 15 rates. Local boards have been approving the rates, and that process may continue.
3. The indirect cost calculation must include an oppor-

tunity for districts to denote adjustments to the annual financial report (AFR) data utilized in the automated calculation. KDE is currently working toward a modification to our process to address this issue for the FY 15 rates. School districts will be responsible for reading and understanding Office of Management and Budget Circular A-87 ([http://www.whitehouse.gov/omb/circulars\\_a087\\_2004/](http://www.whitehouse.gov/omb/circulars_a087_2004/)), federal guidance regarding indirect costs, in order to make the appropriate adjustments (if any) to the AFR data.

Additional changes may be required by USDE as the review process continues. KDE will conduct a webinar within the next several weeks to explain how to access the indirect cost adjustment form and how to correct any overcharge made during July, August, and September of 2013.

Questions regarding indirect costs may be directed to Susan Barkley at [susan.barkley@education.ky.gov](mailto:susan.barkley@education.ky.gov) or at

## *Chart of Accounts and ORGs Update for July 1, 2014*

KDE is implementing revisions to the Chart of Accounts and ORGs effective July 1, 2014. The revisions are below. All web documents will be updated in March 2014.

Since the last finance newsletter some additional ORGs were added for fund 21 and fund 22 and are shown in the table below with asterisk \*. The use of the funds is optional. Districts may begin using the funds in their Tentative Budget and Annual Financial Report (AFR) reporting for 2013-14 and the Working Budget reporting for 2014-15.

### **Chart of Accounts Revisions**

Effective July 1, 2014

#### **Funds**

- 21 Special Revenue Fund – District Activity Funds (annual-year)–ADD
- 22 Special Revenue Fund – District Activity Funds (multi-year)–ADD

#### **Program Codes**

- 450 Alternative (At Risk) Education Programs –Delete

#### **Objects**

- 0838 KISTA principal –ADD
- 0839 –Change name to “KISTA interest”
- 0892 Parent Involvement –Delete

#### **Revenues**

- 5233 NCLB Transfer from Title V –Delete
- 5244 NCLB Transfer to Title V –Delete

#### **Balance Sheet**

- 6115 Accrued Interest in Investments Purchased –ADD
- 6134 District Activity (Spec. Rev. annual-year) –ADD
- 6135 District Activity (Spec. Rev. multi-year) –ADD
- 6192 Deferred Expenditures –Delete
- 6193 Capitalized Bond Cost –Delete
- 6281 Intangible Assets –ADD
- 6282 Accumulated Amortization on Intangible Assets –ADD
- 6291 Site Improvements –ADD
- 6292 Accumulated Depreciation on Site Improvements –ADD
- 6400 Deferred Outflows of Resources –ADD
- 7476 Accrued Annual Requirement Contribution Liability –ADD

*Continued*

7477 Compensated Absences Current –ADD  
7481 –Change name to Unearned Revenues  
7522 Long Term Loan Payable –ADD  
7533 Special Termination Benefits –ADD  
7561 Arbitrage Rebate Liability – ADD  
7700 Deferred Inflow of Resources –ADD  
8732 –Change name to “Restricted – Sick Leave”  
8742 –Change name to “Committed – Sick Leave”

## ORGS

### Balance Sheet

21 Balance Sheet District Activity Funds (annual-year)  
22 Balance Sheet District Activity Funds (multi-year)

### Revenue

221 Revenue District Activity Funds (annual-year)  
222 Revenue District Activity Funds (multi-year)

### Expenditure

ORG	FUND	STANDARD 30 CHARACTER DESCRIPTION	UNIT	FUNCTION	PROGRAM	INSTR LEVEL	REPORTED IN JAN/FEB NEWSLETTER
###2818	21	INSTRUCTION DISTRICT ACTIVITY	###	1900	470	###	
###2819	21	TRANSP FIELD TRIPS DISTRICT ACTIVITY	###	2790	490	###	
###2825	21	ATHLETICS DISTRICT ACTIVITY	###	1900	920	###	
###2829	21	ATHLETIC ACTIVITY ADMIN	###	2211	998	00	*
###2831	21	GUIDANCE COUNSELOR	###	2122	470	###	*
###2833	21	INSTRUC DIST ACTIVITY SP ED	###	1900	200	###	*
###2835	21	CO-CURRIC & EXTRA CURRIC BD PD	###	1900	999	###	
###2859	21	LIBRARY DISTRICT ACTIVITY	###	2222	470	###	
###2887	21	OPERATION OF BUILDINGS	###	2610	409	###	
###2826	22	INSTRUCTION DISTRICT ACTIVITY	###	1900	470	###	
###2827	22	TRANSP FIELD TRIPS DISTRICT ACTIVITY	###	2790	490	###	
###2828	22	ATHLETICS DISTRICT ACTIVITY	###	1900	920	###	
###2830	22	ATHLETIC ACTIVITY ADMIN	###	2211	998	00	*
###2832	22	GUIDANCE COUNSELOR	###	2122	470	###	*
###2834	22	INSTRUC DIST ACTIVITY SP ED	###	1900	200	###	*
###2836	22	CO-CURRIC & EXTRA-CURRIC BD PD	###	1900	999	###	*
###2860	22	LIBRARY DISTRICT ACTIVITY	###	2222	470	###	
###2888	22	OPERATION OF BUILDINGS	###	2610	409	###	*

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